



Meeting Location: **Dept. of Commerce, Columbia River Room, Bldg 5, 1st Floor, 1011 Plum ST SE, Olympia, WA 98504**

Agenda Item	Action	Page	Time
<b>A) ADMINISTRATION</b>			
1. Call to Order: <i>Stan Finkelstein</i>			9:00
2. Welcome and Introductions			9:02
3. Approve Agenda: <i>Cecilia Gardener</i>	Action	1	9:05
4. Meeting Minutes for July 8, 2016: <i>Barbara Smith</i>	Action	5	9:10
5. Executive Director Update: <i>Cecilia Gardener</i>	Informational	19	9:15
6. Department of Commerce Update: <i>Mark Barkley</i>	Verbal		9:20
7. Discussion on Retreat Agenda: <i>Cecilia Gardener &amp; Anita Paige</i>	Action		9:25
<b>BREAK</b>			10:35
<b>B) CONTRACTING</b>			
1. PWAA Quarterly Contract Report: <i>Jacquie Andresen</i>	Informational	35	10:50
2. DWSRF Quarterly Contract Report: <i>Jill Nordstrom</i>	Informational	37	10:55
3. DWSRF Time Extension Request – Camas: <i>Jill Nordstrom</i>	Action	39	11:00
4. DWSRF Time Extension Request – Clallam Co. PUD #1: <i>Jill Nordstrom</i>	Action	39	11:10
5. DWSRF Loan Modification – Windolph Association: <i>Jill Nordstrom</i>	Action	41	11:20
6. DWSRF Loan Modification – Port Townsend: <i>Janet Cherry</i>	Action	43	11:30
<b>C) POLICY &amp; PROGRAM DEVELOPMENT</b>			
1. Emergency Consideration Policy: <i>Isaac Huang</i>	Action	47	11:40
2. DWSRF Transition Committee: <i>Cecilia Gardener, Kristin Bettridge, &amp; Bruce Lund</i>	Verbal	51	11:45
<b>LUNCH</b>			12:00
3. Update on PWB 2.0 Technical Team: <i>Cecilia Gardener</i>	Verbal		12:30
4. Update on Governor's Directive on Lead: <i>Cecilia Gardener &amp; Janet Cherry</i>	Verbal		12:45
5. PWB Construction Loan Application Update: <i>Ann Campbell</i>	Verbal		1:00
<b>D) INFORMATION &amp; OTHER ITEMS</b>			
1. Board Member Absentee Policy Discussion: <i>Cecilia Gardener</i>	Action	55	1:05
2. Board Committee Updates	Verbal		1:15
3. Board Member Updates	Verbal		1:20

**Note: Anticipated time of Adjournment is 1:30 pm**

**NEXT BUSINESS MEETING SCHEDULED: September 8, 2016, at the Department of Commerce, Olympia, WA.**

**Department of Commerce, 1011 Plum Street SE, Olympia, WA 98504-2525.  
Contact the Public Works Board at (360) 725-2744 for further information.**

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# **TAB A**

## **Administration**





## **PUBLIC WORKS BOARD BUSINESS MEETING MINUTES**

**July 8, 2016**

Department of Commerce, 1011 Plum Street SE, Olympia, WA 98504

<b>Board Members</b>		<b>Guests Present:</b>	<b>Staff Present:</b>
<b>Present:</b>	<b>Absent:</b>		
Stan Finkelstein, Chair	Lisa Ayers	Brittany Jarnot, Outcomes by Levy, LLC	Cecilia Gardener, Executive Director
JC Baldwin, Vice Chair	Lisa Wellman	Karen Klocke, Dept. of Health	
Pam Carter		John Kounts, Washington Public Utility Districts Association	Jacquie Andresen
Jerry Cummins			Mark Barkley
Mary Margaret Haugen		Steve Lindstrom, Sno-King Water Sewer Districts Coalition	Carrie Calleja
Scott Hutsell		Mara Machulsky	Ann Campbell
KC Kuykendall		Jeff Nejedly, Department of Ecology	Isaac Huang
Steve Misiurak		Gary Rowe, Washington State Association of Counties	Jill Nordstrom
Diane Pottinger			Barbara Smith
Matt Rasmussen		Ericka Schwender, Dept. of Health	Cathi Read
Bubba Scott		Carl Schroeder, Association of Washington Cities	
		Nona Snell, Office of Financial Management	
		Ted Sturdevant, Center for Sustainable Infrastructure	
		Toni Usibelli, Dept. of Commerce	
		Dave Williams, Association of Washington Cities	

### **A. ADMINISTRATION**

- 1) Call to order: Stan Finkelstein called the meeting to order at 9:00 am.
- 2) Welcome and Introductions.
- 3) **ACTION:** JC Baldwin moved to approve the agenda as presented. Jerry Cummins seconded the motion. **MOTION APPROVED 10-0** (Baldwin, Carter, Cummins, Haugen, Hutsell, Kuykendall, Misiurak, Pottinger, Rasmussen, and Scott). **DISCUSSION:** Stan Finkelstein announced that we would be adding a discussion about hiring a lobbyist to the agenda.
- 4) **ACTION:** Scott Hutsell moved to approve the June 10, 2016, meeting minutes as presented. Jerry Cummins seconded the motion. **MOTION APPROVED 10-0** (Baldwin, Carter, Cummins, Haugen, Hutsell, Kuykendall, Misiurak, Pottinger, Rasmussen, and Scott).
- 5) Executive Director Update: Cecilia Gardener briefed the Board on recent activities. Staff are busy finalizing Decision Packages. Several meetings have taken place. We met with the Association of Washington Cities (AWC) and with Nona Snell of the Office of Financial Management (OFM). I will participate in one of the subcommittees on financing drinking water lead issues. The Department of



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Health is the driver on the lead issue. Mark Barkley participates at the executive level. Our first meeting is next week, and we'll update you at the next Board meeting. The group has to have a proposal to the Governor by September. The Board is required to have the Decision Packages submitted to Commerce next week. The packages are reviewed and edited. The final packages go to the Office of Financial Management.

- 6) Department of Commerce Update: Mark Barkley provided an update on Department of Commerce (Commerce) activities. I want to acknowledge a very successful AWC convention in Everett a week ago. We were a part of that with sessions covering housing, and growth management. Representative Appleton and Commerce Director Bonlender served on a local government issues panel. A lot of folks brought up the Public Works Assistance Account and impressed upon Representative Appleton the need for that the program. We also had a Commerce booth. It was well received, and we had a lot of great discussions. I want to extend a great thanks to Carl Schroeder and AWC for a very well attended and very well run event. Mary Margaret Haugen asked, in the budget the Governor is proposing, is it a no new revenue budget? Barkley responded: We're meeting Thursday with David Schumacher of OFM. They are cautioning all agencies "no new programs." But I haven't heard anything about expanding current programs.

### B. CONTRACTING

- 1) PWTF Time Extension Request – Clark County: Jacquie Andresen presented a request for time extension from Clark County, Contract No. PC12-951-028, for their I-5/Salmon Creek Interchange project. The original closeout date was October 11, 2016. They are asking for an extension to April 30, 2018. The reason for the request is that project design, on-site and off-site stormwater detention location resolution and right-of-way determination have taken longer than anticipated. Also, the Biological Opinion needed to complete the NEPA review took longer than expected. Additional time is needed to complete the right-of-way acquisition and certification, design, and construction. The project is 50% complete. Staff recommends the Board approve the time extension request.

**ACTION: Diane Pottinger moved to approve time extension request for Clark County as presented. Pam Carter seconded the motion. MOTION APPROVED 10-0** (Baldwin, Carter, Cummins, Haugen, Hutsell, Kuykendall, Misiurak, Pottinger, Rasmussen, and Scott).

- 2) DWSRF Time Extension Requests: Jill Nordstrom presented a time extension request from Covington Water District, Contract No. DM12-952-096, for their 222<sup>nd</sup> Wellfield Ground Water Quality Protection Enhancement project. Their original closeout date was August 20, 2016. They request an extension to August 31, 2017. The reason for the request is that their motor and pump re-submittals and re-testing caused project delays. These delays considerably lengthened the delivery schedule of the critical electrical components. Four of the six wells on the site will have a new Motor Control Center (MCC), but work cannot start until the pumps and motors are installed. Additional time is needed to complete installation, testing, programming, and final acceptance. The project is 45% complete.

**ACTION: Jerry Cummins moved to approve the time extension request for Covington as presented. Pam Carter seconded the motion. MOTION APPROVED 10-0** (Baldwin, Carter, Cummins, Haugen, Hutsell, Kuykendall, Misiurak, Pottinger, Rasmussen, and Scott).



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Jill Nordstrom presented a time extension request for Thurston County PUD #1, contract number DM12-952-103, for their Sward/Plat Consolidation project. Their original closeout date was September 5, 2016. They request an extension to March 31, 2018. The reason for the request is that project delays have occurred due to the need to hire a new engineering firm and the PUD managing multiple concurrent projects. The PUD has a new engineer on board and the Environmental and Cultural Review processes are complete. Additional time is needed to complete construction. The project is 15% complete with project design being 98% complete. Jerry Cummins asked: Were they not ready to go when we awarded the contract two years ago? Nordstrom replied: No, they weren't. This was part of the preconstruction and engineering portion, so no, they were not shovel ready.

**ACTION: Scott Hutsell moved to approve time extension request for Thurston County PUD #1 as presented. JC Baldwin seconded the motion. MOTION APPROVED 10-0** (Baldwin, Carter, Cummins, Haugen, Hutsell, Kuykendall, Misiurak, Pottinger, Rasmussen, and Scott).

**C. POLICY AND PROGRAM DEVELOPMENT**

- 1) PWTF 2.0 Presentation: Carl Schroeder from the Association of Washington Cities (AWC) presented the "PWTF 2.0" proposal that the Center for Sustainable Infrastructure (CSI) group developed. He was asked to present this to the Board by KC Kuykendall, who is on AWC's Board. The CSI group has been meeting monthly for about a year and a half now to discuss what other folks are doing with regards to financing infrastructure needs. We brought in folks from other states. In addition to meeting in that group, we've called together a group of city leaders to try to figure out the idea if we can live with different benefits for different size cities. We've heard over and over that the legislature just wants to support small cities, and we're getting push-back from large communities. We've always had this challenge where the majority of revenue to fund these programs is raised from large jurisdictions, so we can't just say no, they can't access this program.

KC Kuykendall responded: The legislature is saying that their priority is to serve the poorer smaller communities across the state. AWC is hearing some obvious push-back from larger communities. That means there is some distribution of tax revenue, and the larger communities don't feel like they are getting the same value as they're contributing. So AWC is listening to those larger communities on where do we go from here? Isn't this counterintuitive to where the legislature is driving? Carl Schroeder replied: I'm not sure I understand your question. What I'm saying is that we've always had a problem with the legislature focusing on small communities, and AWC serves all communities; we're not willing to say that some cities get more benefit than others. Now the large cities are actually saying that they would be willing to consider getting less benefit in favor of smaller communities. Stan Finkelstein asked: So you're saying for that trade off there has to be some benefit for the large communities? Schroeder replied: Yes, and I'll get into this later.

Carl Schroeder continued: What we've put together – and I want to be clear that this is a work in progress – is the "Straw Man" proposal you have in your packet. The highlights are a proposal to evaluate the breadth of the state's infrastructure programs, along the lines of the 2008 Office of Financial Management (OFM) study. Maybe now is the time to wrestle that problem to the ground. Because we're hearing from the legislature that "you should go to the SRFs, why are we spending state money when we have federal money?" When we know those programs don't fund all projects,



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and that's not an entirely well thought-out set of decisions. There is an opportunity to create efficiencies and save some money by aligning programs. It's time to offer up reforms to the Public Works Trust Fund (PWTF) and the Public Works Board program. We think there are opportunities to build processes to ensure the legislature they get good cost benefit for their money.

Pam Carter responded: On page 4 of the document, page 32 in the packet, it talks about rates are officially adopted and projected to cover costs over the long term. Is there something similar for applicants who aren't rate-supported? Carl Schroeder replied: No, we'd be interested in exploring ideas on that. KC Kuykendall replied: But in the long term, loan repayments are not the issue. We don't have a track record of cities defaulting on their loans. Just from a fiduciary responsibility perspective, I think we are there. That's not the consternation of the legislature: that cities will take out loans they can't repay. The issue is that we have not been successful in communicating the value of the fund to the legislature. I think that's the challenge before this group and this board, to show the legislature what is the value proposition. And I think this proposal is a step in the right direction. That this is not just a slush fund that's being pissed away in a poor use of taxpayer dollars. We have not been successful in communicating that this is a good use of taxpayer dollars. Carl Schroeder replied: I agree.

Cecilia Gardener responded: It's a cultural shift. I think that the infrastructure system is designed to address the most critical and the most severe, and they are not supporting those that are doing the right thing at the right time for the right reason. It's a cycle. Pam Carter replied: It's also the new mandates coming along. Small rural systems that are being required to put in new technology, but the ratepayers can't afford a \$300 increase in utility bills. Gardener responded: Everyone agrees the extremely small and severely distressed systems can't take on a loan; there needs to be a grant pool for them.

Carl Schroeder continued: We are proposing some new requirements for the Board's work, most specifically, a requirement to rank the projects going forward, focusing on cost effectiveness, resiliency, and multiple benefits, to show additional value where possible. We're thinking a small subsidy and higher interest rate for larger communities for utility based programs. For non-utility-based projects, they should get the same rates as everyone else. Another way we're looking at this, is dedicating some of the resources to the Centennial Clean Water Fund at Ecology, which is a grant program for small distressed communities. Those smaller communities that can't take on more debt are telling us they need increased access to grants. We are exploring whether or not the program could invest in watershed or green infrastructure projects. It might make this more attractive to a broader audience. Could we fund technical assistance to smaller communities? I think there's a tension between "we don't have enough money to fund infrastructure, so why would we funnel money off to these other uses?" We're exploring ideas that would bring more people into the fold. We're four years into this. Some portion of that money is gone. Let's direct the loan repayments and let the tax revenues go. I think all those perspectives are reasonable. We need to respond to what we're hearing, or we're going to have the same outcome. This is built around "what would we do if we could secure all the resources?"

Carl Schroeder continued: We are trying to work with our other partners who are users of this program. There is a bit of an enthusiasm gap between polishing up this proposal at all. There's a





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feeling that the legislature has spoken, and we need to move on to the next challenge. People aren't applying for the Board's construction loans because they think the money is gone. We're interested in finding out what applies in this current loan cycle. One of the challenges for us is to figure out what the sweet spot is, for people to want to put their shoulder to the wheel and pull this program back from the brink. This is our best attempt to do that.

Stan Finkelstein responded: I want to applaud the CSI who put forth this document. I think there are many good ideas embedded in this proposal. I think some members of this Board should work with you to reconcile the technical aspects, and maybe make it more saleable. It's a good document and has merit.

John Kounts replied; Carl, that is a great proposal and paper. Just an idea, one thing that has occurred to me, we could actually just take the existing statute, RCW 70.119a and incorporate that into this proposal. It's an existing grants program, and it could promote regionalism of water service. I think PUDs and water districts would be behind that. Carl Schroeder replied: Thanks John, that's a good idea. We'll put it on the list.

Mary Margaret Haugen responded: Sometimes smaller jurisdictions don't feel they can spend their money on some things. We need to educate them on what they can spend their money on. Circuit riders have been around for 30 years. We talk about it over and over. I think rather than add a new thing, I think you should build on what has been very successful. Carl Schroeder replied: I believe the idea was to build on the Small Communities Initiative (SCI) people that Commerce already has.

Cecilia Gardener responded: We agreed last month in our budget discussion to fund an additional FTE for the SCI program. They don't call themselves circuit riders, but they do intense assistance for small distressed communities.

Pam Carter responded: I appreciate that this is starting with the PWAA, but we're keeping it focused on our traditional book of business. Over the years, people have come up with other ideas that we should fund. I appreciate that you aren't proposing wholesale changes into the types of things this would fund. Carl Schroeder replied: At the city side of things, we continue to feel that those traditional PWAA infrastructure projects are pressing.

Ted Sturdevant responded: I'm new to this. My sense is that this could very well be what it has looked like in years past, or there's this possibility of folks coming in around this effort. We're hoping that a broad group of folks: from the builders association to the environmental community, would see value in this proposal. We're looking for that breadth that Carl (Schroeder) talked about. We're looking for good substantive input on what this program should look like. What do we need to meet the political reality? What makes sense in 2017 and what makes sense in a longer time frame? Given the McLeary pressure, how much we're going to get in the 2017-19 biennium is not the only question. We'd like you to be thinking of that, too. The legislature is hearing different things from different groups. Can we coalesce around something that makes sense politically and financially, both in terms of PWTF and other infrastructure accounts?

Pam Carter responded: I think there's a good idea here. When we've got a legislature saying "the PWTF is a myth, I've never seen them loan any money." When we have legislators being involved and having ownership of the new process, even if it looks 99% like the old program, then they will



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have ownership and feel like they've done good work.

Stan Finkelstein responded: There are some technical aspects that need to be addressed. I think there should be some small groups working together over the next months to work with Carl (Schroeder), Ted (Sturdevant), and Gary (Rowe) to see if we can build some sort of consolidated consensus approach. I would like Scott (Hutsell), Diane (Pottinger), KC (Kuykendall), and Bubba (Scott) to represent each of the four groups within the Board to meet periodically with CSI group to come to consensus on a proposal

Stan Finkelstein replied: I think we need to come up with an agreed upon proposal before Labor Day. Scott Hutsell asked: When does your group meet? Carl Schroeder replied: The first Thursday of every month. Our next meeting is on August 4<sup>th</sup> at AWC. Pam Carter asked: What timeline were you looking at? Schroeder replied: I don't know that we have an official drop-dead date. We're not necessarily tied to the state's budget development calendar, but we're hoping for early fall. Cecilia Gardener responded: September 19 is the state's drop-dead date to send completed packages to OFM. So that would be a good timeline to meet.

**ACTION: Pam Carter moved to start up a small group to work on this proposal. KC Kuykendall seconded the motion. MOTION APPROVED 10-0** (Baldwin, Carter, Cummins, Haugen, Hutsell, Kuykendall, Misiurak, Pottinger, Rasmussen, and Scott).

- 2) DWSRF Transition Committee: Cecilia Gardener gave the presentation she walked through yesterday at the Drinking Water State Revolving Fund (DWSRF) transition committee meeting between Commerce, the Board, and the Department of Health. We talked about what needs to happen. This was the initial meeting and we laid down some foundational stuff. We went over some general guiding principles. The biggest thing that all three groups agreed on was to make this seamless to the clients. The goal for the meeting was to decide on structure. We agreed that this group would meet monthly before each Board meeting. Subgroups can meet independently of that timeline, rolling up issues to the Transition Committee. The project leads are Cecilia Gardener for the Public Works Board, Bruce Lund for the Department of Commerce, and Kristin Betteridge for the Department of Health. We talked about the roles and responsibilities of the overarching committee. One of the first things is to develop a Memorandum of Understanding (MOU) between all the entities. Sponsors have general oversight of the process. Project leads and subject matter experts (SME) will do the heavy lifting. The committee will only intervene if a subgroup cannot come to agreement on an issue. The SME for the Board will be Ann Campbell. Otherwise, we will have experts from other areas like IT, Accounting, Budgeting, etc. The key areas that need to be organized into subgroups are listed, and we ended up consolidating some of them. The IT system is the biggest hurdle for Health right now. They have requested bids for a new system. By September they should have someone under contract. We identified several things that each group will have to do – mapping, training, identifying barriers, developing milestones, tasks, and timelines, and interdependencies. The group agreed to the structure of the committee and subgroups, roles and responsibilities, consensus decision making, and calendar of meetings.
- 3) Governor's Directive on Lead: Mark Barkley presented Governor Inslee's Lead Directive. They had the kickoff meeting on this a few weeks ago. It is a very robust group from the Office of Drinking Water, the Health Care Authority, the Governor's office, the Department of Commerce, and more.



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It's not just about water. It's in the dirt; it's in the paint. The group will come back together at the end of August with a package to go to the Governor by mid-September. Health and Commerce will be working very closely together. Stan Finkelstein asked: Are people looking to the PWAA as a source of funds for this? Barkley replied: Yes, and we're exploring ideas. Gardener replied: We will keep the Board updated as this unfolds.

Mark Barkley responded: The Department of Health has a wonderful website on this:  
<http://www.doh.wa.gov/CommunityandEnvironment/DrinkingWater/Contaminants/Lead>.

Ericka Schwender from the Department of Health responded: Our group is looking into where we can work together to locate local state and federal funding that is available to help on this.

Mary Margaret Haugen asked: Are they finding any success using filters? I've heard they put them in Kent. Is there a filter that can help? Erika Schwender replied: There is a lot of talk about local treatment, versus treatment at the water plant. The question is what is the true source of lead contamination? We're not finding it in the water supply. It's something that's being leached out of the pipes and fittings. Discussions are still taking place. We know treatment can be done. But how it can be provided in the most cost effective manner, is still being discussed. The Governor's directive is a voluntary effort. We don't have regulations behind us mandating us to do the right thing. We have to be open to help systems work through this problem. This is a brand new initiative that will require everyone to think out of the box. Mark Barkley responded: Getting the right information out is the priority. Especially on testing. Making people aware of how to seek out testing is helpful.

Erika Schwender continued: I want to reach out to the Board to help us with communications. What we're finding out is that a lot of water systems and schools don't have enough information and so they are getting themselves into trouble. They want to do the right thing, and so they collect samples, the samples test high, and then "what are we going to do?" But sometimes the samples are not collected correctly, so they may have a false high reading. We are here to help them from beginning to end. The communities that have been successful have worked carefully, planned, and communicated the result. Too many folks with good intentions are rushing out and collecting samples incorrectly and getting themselves into trouble. Stan Finkelstein asked: Cecilia Gardener, can you work with Health on this? Cecilia Gardener replied: Yes.

Diane Pottinger responded: We have a number of apartment complexes in our area. We are quite comfortable that there is no lead in our system, except within the older structures. Are you saying that some of this funding would go to these private residences? They would receive funding for lead mitigation efforts? Some of these are just poor landlords. Mark Barkley replied: That's part of the assessment. I don't think there is a funding source per se. It's one of the issues that we need to discuss: how to assist these units.

JC Baldwin asked: How are the PUDs involved? Mark Barkley replied: We are working hand in hand with them. They are the point person on the ground. Cecilia Gardener responded: this issue is coming in a year when the State Revolving Fund (SRF) resources are limited. They are significantly less than they have been in prior years.

Stan Finkelstein asked: What is the timeline? Mark Barkley replied: The end of August is when we have to have our proposals in. Finkelstein replied: So you could have something to the Board by the



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October Board meeting? Barkley replied: We should have something ready by the Retreat in September.

- 4) Infrastructure in Support of Affordable Housing: Cecilia Gardener stated: At the last meeting I brought you a budget that included resources that addressed infrastructure development supporting affordable housing. I wanted to clarify what this means. We would be constructing pipes not buildings. One of the barriers to affordable housing is the increased demand on infrastructure that is already at capacity. The proposal would address the expansion or creation of systems that would support growth. The developer cannot afford to be the sole source of funds to increase infrastructure capacity. The idea is to keep these pass-through costs down for the tenants by helping communities bear the costs of infrastructure expansion. The other piece is to fund advanced planning for growth management. The Board has two vehicles – Preconstruction and Construction loans, which could assist local governments in addressing the needs of the citizens. The Housing Trust Fund then comes in and builds the building. It's a three-tiered approach by the Department of Commerce to address the gaping hole of need for affordable housing.

Cecilia Gardener continued: Your RCW also has an element in it that says "do all the things necessary and convenient to carry out the duties of this chapter." That means, if there is an emerging issue, you can address it. You do not have to change your statute to address this. It is part of your current book of business. But you can target the funding. I propose that it be an open, monthly competitive cycle, so it could be more responsive. In the past, we accepted applicants every month for preconstruction loans. I recommend we do that with this proposal. I think we need to clean up our selection criteria, which has been dictated through a proviso process I'm bringing this back to this Board. As you remember, the Board chose to defer this issue to this meeting.

Mark Barkley responded: I was talking to Diane (Pottinger) earlier. Part of this effort adds some teeth to this proposal. From the planning perspective, from the construction perspective, we're looking at teeth from proper rate setting to zoning practices. We're looking at putting some teeth to that behavior. One of the problems facing urban areas is density. How do we address that? Good planning is required. Not only to look at homelessness and affordable housing, but how can we slow down the rate of housing costs overall? Those kinds of issues. How can we get our arms around the planning and development process to help ease those tensions? We're not building the housing; we're trying to address an issue that is going to face us in the future.

Bubba Scott asked: How does this correlate to the presentation that Carl did earlier? Mark Barkley replied: Part of Carl's opening of the aperture is talking about growth. I think we still have to come to the middle. Scott responded: I think there are different folks going in different directions, and we're not together. Barkley replied: Yes, and we need to work on that. We also need to look at what can we do this session versus 4, 6, or 8 years down the road.

Pam Carter responded: I'm still trying to get my head around this. So in a small town's downtown area, if somebody wanted to build an affordable housing project, say their water line wasn't big enough, and it needed to be enlarged. That would also benefit commercial development. So this loan would pay for the main line going down the street. Mark Barkley replied: So the community would come to the Board and ask for that upgrade, not the builder. But the teeth would be, is there good planning and good development that goes along with it? Carter responded: So it doesn't help



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the developer? It doesn't help decrease their costs? Barkley replied: The city takes on the permitting role and does that review and the environmental work on that. They take on the risk, but once it's zoned, they list out the types of development that can go in there. So it's already pre-done for the developer, and they can go in without risk. Carter asked: Do we know that this is a problem? I don't know. In mine, it's more the developers paying a capacity charge. If you're building a home, it's the home owner that pays that capacity charge. I haven't seen the need for this. Have other people seen the need for this?

Stan Finkelstein asked: Is there evidence to the fact that the development of affordable housing is being stymied by the lack of infrastructure? Scott Hutsell replied: There are two sides to that. If indeed the municipality could borrow low-interest money to grow infrastructure, the developer then takes care of their side of it.

KC Kuykendall responded: I think we're rapidly going back to where this conversation ended last month. I can't vote to approve the spending of 60% of our funds for affordable housing. Because this is exactly the reason why there are so many state legislators who are going to put an end to the PWAA. This is diametrically opposed to the GMA. We've been so fixated on the Urban Growth Boundary for the past 15 years. When you reduce availability, prices go up. On one sense, we're going to take \$750,000 to help Growth Management advance planning, which is diametrically opposed to affordable housing. We're going to somehow artificially reduce home values. Sell that to homeowners who have been investing in their home. They aren't interested in bringing down the price of homes. Any place there's a huge increase in migration, then guess what, it raises home prices and median income. So to suggest that somehow that's a bad thing goes against my personal view of how the real world works. I don't think the Board should be in the business of taking such a huge percentage of our budget to engage in social engineering, and I don't think that's going to fly with taxpayers and the legislature. When folks learn this has become a slush fund for affordable housing agendas, there will be a huge outcry and that will be the end of the PWAA.

Mary Margaret Haugen responded: I'm in agreement with you. There are lots of organizations helping with affordable housing. I'm a no on this. I don't think this is the role of the PWAA. Rural Washington doesn't have this problem. I have a real problem with this rate setting. So the guy who makes just a dollar more than low income has to pay a lot more.

**ACTION: KC Kuykendall moved to take the funds currently listed and the proposed budget and ask the Board to oppose the staff recommendation.**

**DISCUSSION:** Cecilia Gardener responded: The 60% would in fact be 45% because you could add this 29 to the 90 you were already proposing. The housing piece is an agency-level effort to address a chronic situation in the state. This is a role that the Board could play.

JC Baldwin responded: It's my understanding that in this next session affordable housing is going to be a huge issue. Cecilia Gardener replied: The agency has requested this from the Board. The Community Services and Housing Division in Commerce has multiple programs addressing affordable housing. This agency has a huge responsibility in this arena. They have stretched out to other divisions to see what efforts they could bring to this. Matt Rasmussen asked: Is there a big



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demand with municipalities wanting loans for this? In my experience, they are always looking for grants.

Mark Barkley replied: I want to reiterate we're not building affordable housing. We are building infrastructure that would support affordable housing. KC Kuykendall responded: But that precludes municipalities from building infrastructure that does not support affordable housing, and that is the preponderance of the need in the state. Cecilia Gardener replied: A lot of the jurisdictions are experiencing unanticipated growth that they cannot afford. Matt Rasmussen responded: I'm not opposed to this being an available thing, but to tie up that much money without knowing the real need is putting the cart before the horse. If someone comes forward and says there's a real need for this, then we can address that then.

Steve Misiurak asked: So what are the ramifications of us opposing this? Cecilia Gardener replied: It does not enhance relations with the agency. This is an effort that Brian (Bonlender) really supports. If not housing, then what else?

Bubba Scott asked: Could this be coupled differently? Cecilia Gardener asked: How? Scott replied: Somehow that the core business we do already is funded as a priority and the remainder is dedicated to this?

Matt Rasmussen responded: Say we do go the way it's proposed, and we get less than a \$100 million ask for the housing, could that money then be shifted? Cecilia Gardener replied: We will have an additional opportunity to ask for that. My guess is that we will get an appropriation, not designated for one pot or another, and it would be up to the Board to decide how to allocate the money. Mary Margaret Haugen replied: If we go for more than we can spend, we could do either one. Gardener replied: Yes, the way I'm building this, you could do that.

Stan Finkelstein responded: My concern is we can't then charge the other benefitters for the increased capacity. Cecilia Gardener replied: The only group we'll be dealing with is the local government. Mark Barkley replied: It's the teeth they choose to put in. Finkelstein responded: We're building new capacity not only for affordable housing but also ancillary development? Gardener replied: Yes.

Pam Carter responded: The district would pay up front, and then they'd have to find a way to charge the for-profit commercial entities. Matt Rasmussen responded: We could defer payments for low income housing. Carter replied: This is affordable housing, not low income housing. So almost any home you're building, they would possibly be considered affordable housing.

KC Kuykendall responded: As I recall from our discussion last month, somehow you have reason to think we can carve this \$100 million out of the proviso restrictions and fund water sewer projects, is that correct? Cecilia Gardener replied: That is my intent. Kuykendall responded: Do we have legal counsel on this? Gardener replied: The proviso is scheduled to sunset on June 30, 2017. The program we're building would take effect after that date. If we carve out a set-aside, my suggestion is to build it outside the proviso to allow it to be an opportunistic program. Kuykendall responded: That makes a lot of sense. We need to be able to figure out how to utilize the majority of these



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funds to fund water and sewer projects in the next biennium. That is a big if. I would rather see us make our resources for new loans with our own proviso that there is a way to prioritize projects that benefit affordable housing, and leave it at that.

Mary Margaret Haugen asked: Diane (Pottinger), you told us that they are building affordable housing in your area and forgoing rate charges. Diane Pottinger replied: That is correct. There is a 165-unit apartment complex, that this year they only collected \$1,800 in taxes. And last year they had 300 calls for fire, so that's \$3 per call the fire department is getting. And zero going to schools, and zero to the city.

Stan Finkelstein responded: Looking at the material, it says loans and forgivable principle loans. I think there's some pushback on the forgivable loans. What is the thinking on the 4<sup>th</sup> floor about loans versus forgivable loans? Cecilia Gardener replied: I think the staff would be able to identify criteria on who would get forgivable loans. Staff are working on a proposal for a small grant program. I think the criteria would be similar. Matt Rasmussen replied: I guess it would be project specific. Some communities will need to get a forgivable loan to do the project. Finkelstein asked: Does that assuage some concerns?

Scott Hutsell responded: If out of the \$100 million we say \$5 million maximum would be forgivable, or just not put any number on it? Diane Pottinger responded: I would prefer not putting any number on it. Cecilia Gardener replied: Let the demand of those in need drive the amount. Hutsell responded: When would you make that determination on the forgivable side of it? Gardener replied: The staff would do an analysis and underwriting of the application, then it would come to the Board with a recommendation. Stan Finkelstein asked: Assuming there is some buy-off on having some forgivable and some not, could we do some work to address this next biennium? Gardener replied: Yes, I've given you a rough framework of what I think could be a useful methodology, but those details haven't been worked out yet and the Board would have full authority. Mary Margaret Haugen asked: What is to keep the legislature from taking this money? Gardener replied: They can do that.

Diane Pottinger responded: I'm struggling as a utility to understand what sort of loans we would ask for. With the timing of all of this, the loan program isn't going to be around to do that. If I get a developer to do an affordable housing project, he wants to get it in within 18 months, and the Board just can't do that. Cecilia Gardener replied: That's why I'm talking about a month-to-month open application window. I would propose this operate that same way, so we could address that scenario. Opportunistic, open all year, and some way to address hardship. That's all the meat I have on this bone so far. Pottinger responded: What if I apply for this and the developer goes away? Gardener replied: That's a local risk. That is the risk they take. Matt Rasmussen replied: Jurisdictions take that risk all the time. Mark Barkley replied: It's still draw-based. If you haven't drawn the full amount, it's just de-obligated.

Stan Finkelstein responded: Right now affordable housing is a uniform concern not just here in Washington, but nationally. This has some sale-ability. Money that isn't claimed for affordable housing can spill back to the Part A allocation for existing uses.



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Scott Hutsell responded: we're talking about this for the 2017-2019 biennium. Our application process is for everything except very limited sewer and water. And then we'd have a separate application process for affordable housing that would include sewer and water. Cecilia Gardner replied: Yes. Hutsell responded: I'm in favor of allocating funds to the program. What about a concept with no forgivable loans? Pam Carter asked: What do forgivable loans get us? Stan Finkelstein responded: I think it's an incentive to the builder. It's a marginal thing. It might be an advantage. The less specificity you build into this, the better. This could be the difference between maintaining the PWAA as an entity versus OFM just taking it.

**The Board broke for lunch at 12:10 pm and reconvened the discussion at 12:40 pm.**

**KC Kuykendall left the meeting at 12:10 pm.**

**ACTION: Scott Hutsell moved to approve the recommendation of staff as presented, with the understanding that the Board will be actively involved and engaged in crafting the parameters of this program during the next year. JC Baldwin seconded the motion.**

**DISCUSSION:** Scott Hutsell continued: We've talked about this, and if we don't do something here, I truly believe we won't get enough applications to use up the money available, with the proviso language restrictions. In the name of trying to preserve some sort of PWAA, I'm willing to go down this road. The forgivable loan piece is still troubling me. This has been a loan program for 30 years, not a grant program. I think that's one of the strengths of this program. If that is the cost of doing this, today is a new day, and looking forward, that's why I made this motion.

Mary Margaret Haugen responded: I oppose the motion. I would be very comfortable earmarking money for lead mitigation, but not for affordable housing. I don't see how Coupeville, Stanwood, or Mount Vernon would ever benefit from this.

JC Baldwin responded: I see it as a political opportunity for us to participate in a program that we've been invited to participate in. This shows willingness to partner with the agency.

**MOTION APPROVED 7-2 IN FAVOR** (Baldwin, Carter, Cummins, Hutsell, Misiurak, Pottinger, Scott)  
**OPPOSED** (Haugen, Rasmussen) There were no abstentions.

#### **D. BUDGET DEVELOPMENT**

- 1) PWB Budget Development: Cecilia Gardener stated: When I presented this last month, I left \$29.4 million available to allocate. Do you want to add that to the traditional loan list? I think there may be some lead issues that come our way. Diane Pottinger asked: Do those classify as emergencies? Gardener replied: No. Scott Hutsell asked: Would this also be outside the proviso? Gardener replied: My thinking is lead will go up the food chain and be outside the proviso. Stan Finkelstein asked: Could this be carryover? Gardener replied: Yes, or it's swept. We could hold this in reserve for lead. I think a decision will be coming out in September. Or we could just roll it into the application of a traditional loan, and see what comes in. Hutsell asked: So we could do either / or? Gardener replied: Yes. Diane Pottinger responded: I like being proactive about setting aside money for lead. I'm a water utility. I like that part.





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**ACTION:** Scott Hutsell moved to designate the \$29.4 million dollars for lead abatement, per staff recommendation. Diane Pottinger seconded the motion. **MOTION APPROVED 9-0** (Baldwin, Carter, Cummins, Haugen, Hutsell, Misiurak, Pottinger, Rasmussen, and Scott).

**DISCUSSION:** Bubba Scott asked: Have we now approved the entire budget? Cecilia Gardener replied: You voted to approve the budget line by line. You've approved everything except the Growth Management advanced planning.

- 2) PWB Construction Loan Application Update: Ann Campbell stated: Applications are on the web now. The guidelines are there; the applications are streamlined, and the questions are aligned with the proviso. There should be enough information for you to create a rated and ranked funding list. Please take a look at the applications and guidelines on our website: [www.pwb.wa.gov/financial-assistance/Construction/Pages/default.aspx](http://www.pwb.wa.gov/financial-assistance/Construction/Pages/default.aspx)

Cecilia Gardener responded: We have three webinars coming up. July 12 is the first one, addressing general application issues. The second one, July 27<sup>th</sup>, is targeted to water and sewer, and the third one on August 11<sup>th</sup> is for Frequently Asked Questions. We've plastered this on every stakeholder's website; we've posted it repeatedly on Facebook and Twitter, and we're doing everything we can to get the word out.

**E. INFORMATION AND OTHER ITEMS:**

- 1) Calendar and Scheduling: Cecilia Gardener asked: Are any Board members interested in attending the IACC Conference? If so, please email Barbara Smith with that information. We are meeting in September 8-9 for the Board Retreat. IACC is the 20<sup>th</sup> of October. It's on the last day of the conference; and everyone always wants to hit the road. Do we do it up front before the conference, or do we not meet there at all, or...? October 7 would be our normal meeting date. Do you want to have your meeting on October 7, or at IACC at the end of the month?

Pam Carter replied: So we wouldn't attend IACC? Stan Finkelstein replied: Yes, you could still attend; we just wouldn't have our Board meeting there. Cecilia Gardener replied: We would have a loan list ready to review on October 7. Carter replied: Then it makes more sense, being here to review that loan list.

Stan Finkelstein stated: I would like to propose if someone misses a meeting due to a schedule change, that the absence is exempt from the rule that members cannot miss three meetings, and thus it is an excused absence. Steve Misiurak responded: I have the policy here, and it's 4 absences in a 12 month span, nothing about excused or unexcused.

**ACTION:** Jerry Cummins moved that an absence be exempted by the Board in the event the absence arises because of a change in the regular Board meeting schedule. Scott Hutsell seconded the motion.

**DISCUSSION:** Jerry Cummins stated: When we have a calendar of meetings for the year, and then people have other things going on, when we change these meetings constantly, it makes it very



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tough for people to accommodate. Pam Carter asked: Can we direct staff to prepare language to amend the policy as such and bring it to the September meeting? Cecilia Gardener replied: Yes.

- 2) July 1, 2016, PWB Newsletter: Stan Finkelstein asked: Please encourage the stakeholders to forward this to their constituents.
- 3) Board Committee Updates: Scott Hutsell stated: I am passing out some additional selection criteria that the Policy Committee has been working on, providing additional consideration for natural disaster affected communities. This is not emergency stuff. It is just to address natural disasters. Pam Carter replied: We will bring policy language to our August 12<sup>th</sup> meeting to approve.
- 4) Board Member Updates: Stan Finkelstein and Lisa Ayers will be attending the August 3<sup>rd</sup> event for the Discovery Corridor Wastewater Transmission System launch in Clark County. JC Baldwin will attend the ground breaking in Brewster on July 15<sup>th</sup> for their water storage tank improvement project.

Stan Finkelstein stated: Katy Isakson sent out an email raising concerns regarding the perception of the Board retaining its own lobbyist. The concern is regarding how the legislature will respond if the Board has a lobbyist, independent of the agency? She encourages us to hold off on making this decision. Scott Hutsell replied: I brought that up a long time ago. We have a disconnect because as a Board we can't be here advocating all the time. And staff cannot do this. If we had someone who was on the hill every day, and even out of session, you can't wait for leg days to start building relationships. Whether we want to call it a lobbyist or a liaison from the Board to the legislature, we just need some sort of connection. We know there's a disconnect. We lack champions. Finkelstein replied: I live in Olympia. I lobbied for more than 30 years. Whoever lives in the general vicinity of Olympia, maybe we can commit to a schedule of availability, such as one day a week or every other week, visiting with key legislators. Does that achieve the same purpose?

Pam Carter replied: I don't think so. It's not just visiting them; it's hanging around the back halls listening to the whispers. If we had our own staff that we hired separately, we could send people up. But we cannot do that with our current staff. The stab wounds are still fresh enough that I don't think they're going to get healed before session. I think we need to be selling ourselves. JC Baldwin responded: I think our lobbyist needs to sell through their network, as well.

Scott Hutsell responded: I see Katy's perspective on this, but I disagree. I think we need a presence more than to worry about that perception. We need an independent presence. JC Baldwin responded: It's a powerful thing to have. I don't know Katy at all, but since I've been on this Board we haven't been able to approve one loan list. I think our perspective might be different from hers. Pam Carter responded: Certain legislators will take after us for any number of reasons, and if it's not a lobbyist, it will be something else. Stan Finkelstein responded: There may be some fall out if we're overly aggressive with the lobbyist. In terms of reality, we're probably not going to command 25% of the lobbyist time, at that. Baldwin replied: We'll just have them talk about how we're going to help affordable housing and lead, and they'll have a lot of good things to talk about.

**ACTION: Pam Carter moved to adjourn the meeting at 1:31 pm. JC Baldwin seconded the motion. MOTION APPROVED 9-0 (Baldwin, Carter, Cummins, Haugen, Hutsell, Misiurak, Pottinger, Rasmussen, and Scott).**



## Capital Project Request - Narrative Template 2017-2027 Biennial Capital Budget Plan

### Section 1

**Proposed Title:** Public Works Assistance Account Construction Loans

**Project Type:** Infrastructure (Major Projects)

**Activity:** Type activities. [Click here](#) to see a list of activities.

	Public Works Infrastructure Grants and Loans
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**Priorities of Government (POG) Supported** (Click one box in the “Primary” column, and as many as apply in the “Secondary” column)

Primary	Secondary	Priority of Government Measure <i>(Check all that apply)</i>
<input type="checkbox"/>	<input type="checkbox"/>	Improve student achievement in elementary, middle and high schools
<input type="checkbox"/>	<input type="checkbox"/>	Improve the value of postsecondary learning
<input type="checkbox"/>	<input type="checkbox"/>	Improve the health of Washingtonians
<input type="checkbox"/>	<input type="checkbox"/>	Improve the security of Washington’s vulnerable children and adults
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Improve the economic vitality of business and individuals
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Improve statewide mobility of people, goods, and services
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Improve the safety of people and property
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Improve the quality of Washington’s natural resources
<input type="checkbox"/>	<input type="checkbox"/>	Improve cultural and recreational opportunities throughout the state
<input type="checkbox"/>	<input type="checkbox"/>	Strengthen government’s ability to achieve results efficiently and effectively

**Strategic Agenda Item(s) Supported** *(Click box next to all that apply):*

Strategic Agenda Item(s) Supported <i>(Check all that apply):</i>	
<input checked="" type="checkbox"/>	Build livable, vibrant communities that meet the economic, environmental, and social needs of citizens
<input type="checkbox"/>	Prepare the State to compete in a global marketplace
<input type="checkbox"/>	Move low-income and vulnerable families to self-sufficiency
<input checked="" type="checkbox"/>	Improve the health and safety of communities and families
<input type="checkbox"/>	Provide bold leadership and exceptional service

### Section 2 – Additional Capital Project Request Requirements

**Starting year.** Identifies the year an agency intends to start the proposed project or expenditures for specific purposes: Fiscal Year 2018

**Agency summary.** This is also known as the project summary or Recsum text. Provide a brief, clear and concise description of the project, including the problem or opportunity and how the proposed project addresses it:

The Public Works Board (Board) is directed by RCW 43.155 to administer the programs funded by the Public Works Assistance Account (PWAA) and to provide technical assistance to local governments. The Board provides financial assistance in the form of loans to local governments to upgrade bridges, roads, sanitary sewer systems, domestic water systems, storm sewer systems, and solid waste/recycling systems. Because this is a



loan program, it is sustainable; lower interest loans make the financing of these projects achievable by even the smallest communities.

**Project description:** Describe the proposed project. Provide answers to the following questions, which will inform decision makers about the proposed project.

The Public Works Board requests authority to use \$125.3 million projected revenues in the Public Works Assistance Account (PWAA) to fund Construction, Pre-Construction, and Emergency activities for critical infrastructure projects. \$285 million of revenue is anticipated in the PWAA for the 2017-2019 biennium. Funds will be awarded to projects using a competitive process based on the 19 funding considerations as outlined in RCW 43.155.070.

1. Identify the problem or opportunity addressed. Why is the request a priority? (Provide numbers of people or communities not served, students without classroom space, operating budget savings, public safety improvements, history, or other backup necessary to understand the need for the request.) Be prepared to provide detailed cost backup.

Local Governments are struggling to provide basic infrastructure services to the citizens of Washington State. The cost of maintaining aging systems is sustained as long as possible until either the system fails or regulatory mandates require replacement or improvement. The ability for local jurisdictions to absorb the cost of addressing these critical needs is limited by rate affordability issues, taxation limitations, and multiple competing demands for funding resources. Population growth, regulations, and reduced resources have put a burden on local governments to meet the demands of providing basic services. In addition to these basic prioritization challenges, public resources available to fund these projects are declining. Federal grant / loan programs have been reduced. For example, the federal drinking water program will have \$40 million available in the fall 2016, a reduction of 40 percent from prior years' funding. Public Works Board construction loan program resources are needed to bridge the gap between what can be funded using federal government programs and what needs repair or replacement, but for which there is no funding other than the private market.

The Association of Washington Cities published a video describing the condition of Washington's infrastructure: <https://www.youtube.com/watch?v=D9E2tCyb7Ug> *This video visually captures the problem that funding Public Works Board Construction, Pre-Construction, and Emergency activities will solve.*

Pre-Construction Loan resources enable local governments to do the preliminary activities necessary to prepare for a complex construction project. A pre-construction loan investment will enable local jurisdictions to meet readiness to proceed requirements so that they compete better for limited federal construction resources. Most state and federal financing programs strongly reward readiness in the selection process.

2. What will the request produce or construct (i.e., design of a building, construction of additional space, etc.)? When will the project start and be completed? Identify whether the project can be phased, and if so, which phase is included in the request.

This request is for a prioritized list of projects, and not one project. A summary of the projects recommended for funding is:

The project list will be provided and Decision Package amended when a project list is approved for recommendation by the Public Works Board



3. How would the request address the problem or opportunity identified in question #1? What would be the result of not taking action?

The Board is statutorily required to provide the legislature with a list of vetted projects recommended for funding through the PWAA. There is limited funding available for communities with infrastructure needs. The two primary funding programs are the Drinking Water State Revolving Fund (DWSRF) and the Clean Water State Revolving Fund (CWSRF). Using an accelerated funding cycle, these programs have been unable to fund all of the projects seeking financing. The Board's competitive construction loan program provides vetted projects with the financial capability, system management, and public need for funding consideration by the Legislature. This self-sustaining program reduces the number of specific requests made of the Legislature to provide grants for financing projects at the local level, and it augments other state and federal financing programs. The process is highly competitive and allows the state to invest in only the highest priority projects. This supports the execution of state policies, such as the reduction of greenhouse gases, protection of Puget Sound, and implementation of the Growth Management Act. The program has been kept current through legislative action with updates to the authorizing statute during each of the last three biennia. Programs administered by the Board are highly regarded by its users as evidenced by the letters of support and disappointment over lack of funding that are received on a regular basis:

*"The Public Works Assistance Account has been a remarkable success, innovative and effective at getting work funded. . . which helped us keep utility rates low and affordable for an increasingly diverse population. . .our staff has appreciated the relative simplicity of your process."* – Alderwood Water and Wastewater District

*"The Public Works Assistance Account provides a straight-forward and easy process for local jurisdictions to obtain low-interest loans to finance public infrastructure construction. . . This program is especially helpful to smaller jurisdictions with the capacity to enter into the commercial bond market."* – Jerry Cummins, Walla Walla City Council Member

*"Programs like the Public Works Trust Fund are nationally recognized for their efficient use of taxpayer dollars. . . ."* – Association of Washington Cities

*"The membership also voted unanimously to support restoring the Public Works Trust Fund. Continued diversion of the revenue streams and loan repayments from this Fund break a promise that labor, business, utilities, waste haulers, realtors, and transportation advocates cannot support. This program is a model for a national infrastructure bank. It remains a critical source for local agencies to borrow funds for large capital projects that otherwise would remain unattainable."* – Washington State Good Roads & Transportation Association

4. Which clientele would be impacted by the budget request? Where and how many units would be added, people or communities served, etc. Be prepared to provide detailed cost backup.

Almost 2,000 government organizations are eligible for Board funding. Cities (281), counties (39), special purpose districts, municipal and quasi-municipal corporations (1,580 estimated) are eligible for Board funding. Many communities eligible for these funds are responding to regulatory requirements to upgrade their facilities. Without financial assistance, the communities do not have the resources to meet the requirements. At best, failure to meet a system's regulatory requirements will result in economic stagnation, at worst, public health is jeopardized.

The project list is made up of local governments that are trying to address critical needs. Each project impacts a unique group of citizens.

*The project list will be provided and Decision Package amended when project list approved for recommendation by the Public Works Board*



5. Does this request include funding for any IT-related costs? (See the IT Appendix for guidance on what is considered an IT-related cost.) [If yes, continue to the IT Appendix and follow the directions to meet the requirements for OCIO review. What alternatives were explored? Why was the recommended alternative chosen? Be prepared to provide detailed cost backup.]

No

6. Will non-state funds be used to complete the project? How much, what fund source, and could the request result in matching federal, state, local, or private funds?

Unknown at this time.

7. Describe how this project supports the agency's strategic master plan, contributes to statewide goals, or would enable the agency to perform better. Reference feasibility studies, master plans, space programming, and other analyses as appropriate.

These projects support the Governor's Results Washington **Goal 2: Prosperous Economy – Sustainable, Efficient Infrastructure** by investing in the basic infrastructure systems and thereby maintaining the existing systems in satisfactory condition through 2020 ensuring that citizens have safe drinking water, and appropriate and safe waste water, and safe roads. Authorizing funding for the construction and pre-construction loan programs will directly reduce the emissions of greenhouse gases by local governments, reduce the amount of potable water used for non-potable purposes, improve the quality of water discharged into Washington waterways, increase transportation mobility, and create jobs.

8. If the project is linked to the Puget Sound Action Agenda, describe the impacts on the Action Agenda, including expenditure and FTE detail. See Chapter 14.4 (Puget Sound recovery) in the [2017-19 Operating Budget Instructions](#).

*The project list will be provided and Decision Package amended when project list approved for recommendation by the Public Works Board*

*Once we have a list, we will provide PSP with the information they need to comply with the language in the 15-17 budget.*

#### ANALYST

9. Is there additional information you would like decision makers to know when evaluating this request?

The steady decrease of funding options for local governments has occurred simultaneously with the need to rehabilitate or replace systems that have been in place for 30 or more years. These systems need to be brought to current standards to align with the Governor's carbon reduction strategy; replaced in order to improve the quality of our seas; and be in a position to provide strategic traffic linkages for the transport of goods. A prime example of the positive impacts stemming from replacing an aged sewer system are the utilization of methane recapture technology which both reduces greenhouse gas emissions and also saves energy as the methane is used to provide power. In addition to this technology, modern sewage processing creates compost that can be used on farms and residents to reduce the need for petroleum based fertilizers. This process can make the water clean enough that it can be used for irrigation, flushing, washing clothes, and other non-potable uses, therefore decreasing the demand on our limited water supply.

These examples provide the building blocks necessary for a sustainable community. The clean water created by modern sewer technology can be used as the water necessary to provide sufficient fire flow. The use of methane to power the sewer plants makes them self-sustaining and keeps costs within reach of the rate payers, residential and commercial alike. The use of treated water for non-potable uses frees up the potable





water for food processing and other commercial water-intensive activities. The Board is dedicated to the long term sustainability of Washington's communities. The construction loan program provides a strategic tool that supports these goals:

In 2012, the Board funded improvements to the City of Yakima's wastewater treatment plant enabling the city to convert two waste streams, methane and grease, into electricity to power the publically owned treatment works. In 2013, the Board further supported this "green and sustainable system" by funding the industrial sewer mains necessary to connect local food processing companies to the city's treatment works.

*NOTE: The Clean Water State Revolving Fund loan/grant program cannot fund these types of projects – projects that are solely intended to control transport, treat, dispose or otherwise manage commercial, institutional or industrial wastewater – Department of Ecology's Funding Guidelines State Fiscal Year 2017 Water Quality Financial Assistance Page 33, Table 11. Publication no. 15-10-033*

In 2008, the Board funded a portion of the Brightwater Treatment Plant ("The most beautiful Sewage Treatment Plant in the World" – *Green Building & Design, 2014*) that conveys reclaimed water from the plant to the Sammamish Valley to, in part, irrigate the Willows Run Golf Course with reclaimed water rather than water siphoned from the Sammamish River; in September 2015, the City of Kirkland contracted with Brightwater to provide reclaimed water for street sweeping, tree irrigation, and cement mixing, thus saving clean drinking water for consumer usage.

Brightwater Treatment Plant: <http://www.kingcounty.gov/environment/wtd/About/System/Brightwater.aspx>

#### **RCW that establishes grant (if applicable): RCW 43.155**

#### **Application process used:**

There is a series of actions that start the process of the development of a project list.

- Identification of available resources based on the Public Works Assistance Account predictive model.
  - The model is based on 30+ years of loans and how they draw and repay. The model also tracks other obligations on the fund, (re-appropriations, operating, state matches for federal resources, and other activities identified by the Legislature)
- Identification of loan terms for the cycle (interest rates, loan limits, etc.)
- Approval by the of the above actions.

The recommended list of projects is developed as an annual open competitive process.

Elements to the funding cycle:

- Application is developed with consultation from other infrastructure funders, both state and federally sourced (DOE, DOH, etc.), and stakeholder groups.
- Significant outreach to inform applicants on the availability of resources.
- Webinars and workshops are done to educate clients on the requirements and limitations. .
- Applications were due on August 18, 2016.
- Financial underwriting on all applicants and projects was done
- Team of five (including non-Board staff) rated and ranked each project, meeting to arrive at a consensus scoring.
- Numerically prioritized list with all information is presented to the Public Works Board for consideration.
- Recommended numerically prioritized list is included in the Decision Package process.
- Legislation is drafted to present to the Board's list of funding recommendations to the Legislature for consideration and funding.
- Debriefing clients not recommended for funding consideration.



### Expenditure calculations and assumptions:

Average Loan requests have historically been \$3.9 million – that would equal approximately 20-30 projects that could be funded.

Construction loans have a 5-year period to complete the projects and 20 years to pay back principle and interest. Based on historical rates of draw, the average draw schedule is:

Year 1- 15% of loan amount drawn  
Year 2- 30% of loan amount drawn  
Year 3- 35% of loan amount drawn  
Year 4- 15% of loan amount drawn  
Year 5- 5% of loan amount drawn (final draw)

5 Year Construction Loan Cycle	Estimated Amount Drawn per Year
Year 1 – SFY 2018	\$ 15,939,750
Year 2 – SFY 2019	\$ 31,879,500
Year 3 – SFY 2020	\$ 37,192,750
Year 4 – SFY 2021	\$ 15,939,750
Year 5 – SFY 2022	\$ 5,313,250
<b>TOTAL AMOUNT DRAWN:</b>	<b>\$106,265,000</b>

Pre-Construction loans have a 24-month period to complete the projects and five years to pay back principle and interest. They have the option of extending to 20 years if the project goes to construction. Based on historical rates of draw, the average draw schedule is:

Year 1- 60% of loan amount drawn  
Year 2- 40% of loan amount drawn (final draw)

Emergency loans have a 12-month period to complete the projects and 20 years to pay back principle and interest. Based on historical rates of draw, the average draw schedule is:

Year 1- 60% of loan amount drawn  
Year 2- 40% of loan amount drawn (final draw)

*NOTE: Per RCW 43.155.050, no more than 15% of the biennial capital budget appropriation to the Board from the Public Works Assistance Account may be obligated for non-construction loans.*

2 Year Pre-Construction and Emergency Loan Cycle	Estimated Amount Drawn per Year
Year 1 – SFY 2018	\$ 11,428,500
Year 2 – SFY 2019	\$ 7,619,000
<b>TOTAL AMOUNT DRAWN:</b>	<b>\$ 19,047,500</b>





**Estimated Total Expenditures:**

Account	2017-2019	2019-2021	2021-2023	2023-2025	2025-2027
Fund 058-Construction Loans	\$106,265,000				
Fund 058-Pre-Con Loans	\$ 15,037,500				
Fund 058-Emergency Loans	\$ 4,010,000				
Total	\$125,312,500				

**FTEs: (Fund)**

FTEs	FY18	FY19	FY20	FY21	Total
Fund					
Total					

[CLICK HERE](#) For the Working Paper Template.

**Is a project list available? If so please provide this information in a Working Paper.**

Contact	
Preparer Name:	Ann Campbell
Assistant Director Approval?	<input type="checkbox"/>
Preparer phone number:	360-725-3153
Date:	8/4/16





**Capital Project Request - Narrative Template**  
**2017-2027 Biennial Capital Budget Plan**

**Section 1**

**Proposed Title:** Leveraging PWAA to Maximize Affordable Housing Initiative  
**Project Type:** Grants

**Activity:** Type activities. [Click here](#) to see a list of activities. Public Works Infrastructure Grants and Loans

A001	Public Works Infrastructure Grants and Loans
------	--

**Priorities of Government (POG) Supported** (Click one box in the “Primary” column, and as many as apply in the “Secondary” column)

Primary	Secondary	Priority of Government Measure <i>(Check all that apply)</i>
<input type="checkbox"/>	<input type="checkbox"/>	Improve student achievement in elementary, middle and high schools
<input type="checkbox"/>	<input type="checkbox"/>	Improve the value of postsecondary learning
<input type="checkbox"/>	<input type="checkbox"/>	Improve the health of Washingtonians
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Improve the security of Washington’s vulnerable children and adults
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Improve the economic vitality of business and individuals
<input type="checkbox"/>	<input type="checkbox"/>	Improve statewide mobility of people, goods, and services
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Improve the safety of people and property
<input type="checkbox"/>	<input type="checkbox"/>	Improve the quality of Washington’s natural resources
<input type="checkbox"/>	<input type="checkbox"/>	Improve cultural and recreational opportunities throughout the state
<input type="checkbox"/>	<input type="checkbox"/>	Strengthen government’s ability to achieve results efficiently and effectively

**Strategic Agenda Item(s) Supported** *(Click box next to all that apply):*

Strategic Agenda Item(s) Supported <i>(Check all that apply):</i>	
<input checked="" type="checkbox"/>	Build livable, vibrant communities that meet the economic, environmental, and social needs of citizens
<input type="checkbox"/>	Prepare the State to compete in a global marketplace
<input checked="" type="checkbox"/>	Move low-income and vulnerable families to self-sufficiency
<input checked="" type="checkbox"/>	Improve the health and safety of communities and families
<input type="checkbox"/>	Provide bold leadership and exceptional service

**Section 2 – Additional Capital Project Request Requirements**

**Starting year:** Identifies the year an agency intends to start the proposed project or expenditures for specific purposes: Fiscal Year 2018

**Agency summary:** This is also known as the project summary or Recsum text. Provide a brief, clear and concise description of the project, including the problem or opportunity and how the proposed project addresses it:

The Public Works Board requests an appropriation from the Public Works Assistance Account (PWAA) of \$100,250,000 to assist local governments in addressing the crisis of adequate affordable housing units. These investments target the infrastructure that enables additional affordable housing units to be developed.



**Project description:** Describe the proposed project. Provide answers to the following questions, which will inform decision makers about the proposed project.

Improve and / or extend publically owned infrastructure elements necessary to maximize the Housing Trust Fund investment in affordable housing units [specifically addressing 43.185.070(5)(a)(b)(d)(f)(m) and (n)RCW].

1. Identify the problem or opportunity addressed. Why is the request a priority? (Provide numbers of people or communities not served students without classroom space, operating budget savings, public safety improvements, history, or other backup necessary to understand the need for the request.) Be prepared to provide detailed cost backup.

Affordable housing is scarce in the metropolitan regions of Washington State. Vancouver area vacancy rate is between 2.4 and 3.5 percent (Sources: US-Census, Multifamily NW.org, Rainmaker Insights). King/Pierce/Snohomish/Thurston/Kitsap counties' vacancy rates\* were 3.3% at the end of the 1<sup>st</sup> quarter of 2016 (Source: Kiddermathews' Real Estate Market Review; <http://www.kiddermathews.com/downloads/research/apartment-market-research-seattle-2016-1q.pdf>); Spokane and the Tri-Cities area are also experiencing affordable housing shortages. The average rent in King County is \$1600 per month for a one bedroom apartment while the cost of a typical single-family home in April 2016 was more than \$630,000. These prices reflect a 10.8 percent growth between March 2015 and March 2016 (S & P/Case-Shiller Home Price Indices). Working 40 hours a week for a \$15/hour minimum wage equals a gross income of \$31,200 per year. Spending \$1600 in rent would be 62 percent of a minimum wage worker's gross annual income. RCW 43.185A.010(1) identifies affordable housing as costing no more than 30 percent of a low income family's revenue, including most utilities. RCW 43.185A.010(6) defines low income as a family with an adjusted income of less than 80 percent of the county's median family income.

The Housing Trust Fund (HTF) was established to assist low and very-low income citizens in meeting their basic housing needs. HTF can fund every aspect of a project that meets their mission. However, the costs of these projects have escalated due to fluctuations in land prices, labor markets, and demand.

These projects may include expansion of publically owned infrastructure necessary to support the creation of safe, livable areas. The projects could include wastewater treatment plant capacity improvements, modernization of streets to include pedestrian, transit, and bicycle friendly sidewalks and roadways, increased water transmission mains, stormwater management, and site acquisition. These projects will not only incentivize private nonprofit entities to take on additional affordable housing units, but the project will also benefit the community at large by increasing the capacity necessary for business expansion, school siting, and improved transportation options.

The Public Works Assistance Account (PWAA) was established to provide affordable infrastructure financing for local governments. This includes all types of publically owned infrastructure: water, sewer, stormwater, roads, streets, bridges, recycling, and solid waste facilities.

Using PWAA funding to construct the publically owned infrastructure elements of HTF affordable housing projects frees up HTF funding to focus on the rehabilitation of housing stock owned by nonprofit public development authorities and public housing authorities.

*\*Per the Runstad Center for Real Estate Studies Spring 2016 Apartment Market Survey, vacancy rates in these counties are as follows: King=3.4%, Pierce=2.8%, Snohomish=3.7%, Thurston=2.6%, Kitsap=2.8%)*  
<http://realestate.washington.edu/wp-content/uploads/2016/04/spring-2016.pdf>



2. What will the request produce or construct (i.e., design of a building, construction of additional space, etc.)? When will the project start and be completed? Identify whether the project can be phased, and if so, which phase is included in the request.

These investments will construct or expand basic infrastructure (water, sewer, storm, roads/bridges, and solid waste/recycling) necessary to accommodate growth for affordable housing. Projects will start immediately upon access to funding. There will be multiple projects. Some may be phased, but that is not determinable at this point in time.

The Board's historical infrastructure investment averaged out to be approximately \$3.9 million per construction project. Using that figure, this \$100 million infrastructure investment could result in approximately 20 to 30 projects. The number of projects could be much higher because this funding is meant for targeted infrastructure investment in support of affordable housing development rather than wholesale system repair or replacement.

3. How would the request address the problem or opportunity identified in question #1? What would be the result of not taking action?

The problem identified in question #1 is the lack of affordable housing. This request addresses one aspect that hinders the availability of affordable housing: undersized or missing infrastructure necessary to support additional housing units. The investments made possible by this request enables HTF dollars to stay focused on developing new affordable housing units, rather than splitting resources between the infrastructure necessary to support the units and the units themselves. For Example: A developer is ready to construct 100 affordable homes within the Urban Growth Area (UGA), but the existing infrastructure is too undersized to support the project. Local governments would apply for loans and grants from the Public Works Board to improve the infrastructure necessary to allow the project to move forward.

Not only will this effort help address the affordable housing gap thus reducing homelessness, but it will also create living wage jobs, generate local tax revenues, and improve the area's ability to attract business and industry. Per the World Bank February 2014 "Strong, Sustainable, and Balanced Growth: Enhancing the Impact of Infrastructure Investment on Growth and Employment" long term growth is driven by productivity and competitiveness gains derived from increases in the stock and quality infrastructure. Investment in transportation, electricity, telecommunications, etc. reduces the cost of delivered goods, facilitates the mobility of people and products while removing productivity restraints.

World Bank February 2014 Paper: <http://siteresources.worldbank.org/EXTSDNET/Resources/infrastructure-background-note-G20.pdf>

4. Which clientele would be impacted by the budget request? Where and how many units would be added, people or communities served, etc. Be prepared to provide detailed cost backup.

There are 1,900 local governments, cities (281), counties (39), and special purpose districts (1,580 estimated), are eligible to access these resources. The ultimate beneficiary of the investments will be the individual citizens who will benefit from affordable housing. The community as a whole will benefit from getting people off the streets, allowing citizens to live where they work, and an increased economy from the resulting from expanded capacity.

The Housing Trust Fund (HTF) is in the middle of its affordable housing application funding cycle. This is a two-stage cycle. The first stage requires basic applicant and project proposal information. Not all projects included infrastructure in their stage 1 submittal. Of those that did, there are 16 projects with \$4.2M infrastructure costs identified. These figures can and do change substantially between stage 1 and stage 2 of the application process. And, it's important to recognize that not all applicants include infrastructure costs in their submissions. It is assumed, on the program level, that the costs of infrastructure are under-reported.



5. Does this request include funding for any IT-related costs? (See the IT Appendix for guidance on what is considered an IT-related cost.) [If yes, continue to the IT Appendix and follow the directions to meet the requirements for OCIO review. What alternatives were explored? Why was the recommended alternative chosen? Be prepared to provide detailed cost backup.]

No

6. Will non-state funds be used to complete the project? How much, what fund source, and could the request result in matching federal, state, local, or private funds?

Federal funds may be used on infrastructure investments within the project areas. It is difficult to specifically identify how much because the eligibility requirements of each program vary. However, the clean water and drinking water state revolving fund programs (SRF) are particularly difficult to use with affordable housing programs because the SRFs are for public health and safety issues. They have specific prohibitions against use for growth related projects with very few exceptions. Private funds will be used as part of the acquisition, rehabilitation, and construction of affordable housing units. The availability of infrastructure funding actually makes projects more attractive to private investment because the investors know that their money goes directly to facilities rather than groundwork.

7. Describe how this project supports the agency's strategic master plan, contributes to statewide goals, or would enable the agency to perform better. Reference feasibility studies, master plans, space programming, and other analyses as appropriate.

These projects support the Governor's Results Washington **Goal 2: Prosperous Economy – Sustainable, Efficient Infrastructure** by investing in the basic infrastructure systems and thereby maintaining the existing systems in satisfactory condition through 2020 ensuring that citizens have safe drinking water, and appropriate and safe waste water, and safe roads. Authorizing funding for the affordable housing infrastructure will directly reduce the emissions of greenhouse gases by enabling people to live in closer proximity to their work. The US Environmental Protection Agency published a report entitled "Estimating Emission Reductions from Travel Efficiency Strategies: Three Sketch Modeling Case Studies" [<http://nepis.epa.gov/Exe/ZyPDF.cgi/P100JWK8.PDF?Dockey=P100JWK8.PDF>]. On page 65 of this report, Land Use / Smart Growth as a greenhouse gas reduction strategy was identified as an analyzed strategy. The outcome of this analysis is summarized in Table A-3: Land use measures, overall, reduced regional Vehicle Miles Traveled (VMT) up to 5.2%. The improved operational efficiencies of infrastructure systems will reduce the amount of potable water used for non-potable purposes, improve the quality of water discharged into Washington waterways, increase transportation mobility, and create jobs as cited in the report published by the World Bank (see response to question 3 above).

8. If the project is linked to the Puget Sound Action Agenda, describe the impacts on the Action Agenda, including expenditure and FTE detail. See Chapter 14.4 (Puget Sound recovery) in the [2017-19 Operating Budget Instructions](#).

Infrastructure projects have a significant impact on the Puget Sound. Transportation projects along with stormwater projects have the ability to reduce and eliminate untreated waste flowing to the Puget Sound. Bringing sewers to areas that are currently on septic systems directly removes the flow of poorly treated or untreated effluent from the sound. Projects that support affordable housing within the Puget Sound region will be subject to review by the Puget Sound Partnership as part of the funding eligibility process.



9. Is there additional information you would like decision makers to know when evaluating this request?

This request supports the larger Department of Commerce affordable housing initiative. These funds combine with the planning and funding efforts from Growth Management and the Housing Trust Fund to provide a holistic and multi-faceted approach to improving Washington's affordable housing crisis.

The projects funded with this proposal are foundational to the multi-pronged approach necessary to address the variety of factors affecting the availability of housing:

- The Infill and Affordable Housing proposal incentivizes communities to develop creative housing options through Planned Actions, zoning, and tax exemptions.
- This proposal, infrastructure in support of affordable housing development, takes the work done to improve zoning and site reviews (Planned Actions) and applies the infrastructure necessary to take enact the residential zoning changes by building affordable housing stock.
- The Housing Trust Fund's tradition program completes this symbiotic proposal by providing the funding necessary to build additional affordable housing and rehabilitate existing stock.

Association of Washington Cities has both infrastructure and housing as legislative priorities. This proposal dovetails to help achieve both of those priorities

(<http://www.awcnet.org/Advocacy/Citylegislativepriorities.aspx>).

The Washington State Association of Counties has listed infrastructure funding for water projects (drinking water, stormwater, flood control, etc.) and public health funding as legislative priorities. This proposal directly supports the water project priority, and supporting affordable housing is one aspect towards helping support ongoing public health efforts. [http://wsac.org/wp-content/uploads/2016/04/2016\\_Legislative\\_Agenda.pdf](http://wsac.org/wp-content/uploads/2016/04/2016_Legislative_Agenda.pdf)

The Washington Association of Sewer and Water Districts has sustainable and resilient infrastructure as a keystone for its members. This proposal supports the Sewer and Water priorities by providing infrastructure funding that maximizes the use of our public water and sewer systems for optimal operations.

Washington Public Utility Districts Association has infrastructure funding for basic infrastructure projects as well as clean energy goals as part of its public policy position. This proposal supports strategic infrastructure investment as well as clean energy goals by supporting housing in urban locations, thus cutting down on commuting needs (<http://www.wpuda.org/pud-issues-and-information>).

This proposal supports the goals of public and not-for-profit housing organizations by enabling their limited funds to go farther by using the PWAA to fund the publically owned infrastructure portion of projects.

**RCW that establishes grant (if applicable):** 43.155 RCW

**Application process used (grants; if applicable):** This targeted approach will be an ongoing cycle, local governments can apply as projects arise. The Public Works Board would review and approve proposals monthly during the regularly scheduled business meetings.

Elements to the funding cycle process

- Application is developed with consultation from other programs in the industry (Affordable Housing Advisory Board; Housing Trust Fund; Association of Washington Cities; Washington Public Utility District Association, Washington State Association of Counties, Washington Association of Sewer and Water Districts; the Departments of Commerce, Ecology, Health, Transportation, and Social and Health Services; and other stakeholders.
- Applicant outreach including technical assistance on how to access funding.
- Applications accepted on a monthly basis
- Financial underwriting analysis on all projects to be done and presented to the Board to inform the decision making process.
- Teams rate and rank each project; meeting to arrive at a consensus on the staff funding recommendation to the Board for inclusion as part of its deliberations.



- Scored prioritized list with all decision points is presented to the Public Works Board monthly for project selection.
- Debriefing with unfunded clients.

**Expenditure calculations and assumptions** – *Display the calculations (e.g., unit costs and formulas) used to arrive at expenditure and workload estimates connected with the Capital Project Request. Clearly identify the factual basis of any policy or workload assumptions and how the cost estimates are derived from these assumptions.*

**Estimated Total Expenditures:**

Account	2017-2019	2019-2021	2021-2023	2023-2025	2025-2027
Fund 058	100,250,000				
Total	100,250,000				

**FTEs: (Fund)**

FTEs	FY18	FY19	FY20	FY21	Total
Fund					
Total					

[CLICK HERE](#) For the Working Paper Template.

**Is a project list available? If so please provide this information in a Working Paper.**

Contact	
Preparer Name:	Cecilia Gardener
Assistant Director Approval?	<input type="checkbox"/>
Preparer phone number:	360-725-3166 or 360-725-3166
Date:	7/13/2016



# TAB B

Contracting





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DATE: July 27, 2016  
TO: Public Works Board  
FROM: Jacquie Andresen, Programs Specialist  
SUBJECT: PWAA Contract Status Report

This memo provides a quarterly status update to the Public Works Board and offers a snapshot of activities carried out by the PWAA Program Staff.

**Number of Contracts Received from PWB from 4/1/2016 – 6/30/2016**

PWAA 0

**Number of Contracts in Open Status as of 6/30/2016**

PWAA 53

**Number of Contract Closed 4/1/2016 – 6/30/2016**

PWAA 9

**Dollars distributed to Clients 4/1/2016 – 6/30/2016**

PWAA \$8,917,821

**Dollars remaining for Clients to Draw as of 6/30/2016**

PWAA \$56,421,586





---

DATE: July 27, 2016  
TO: Public Works Board  
FROM: Jill Nordstrom, Section Manager  
SUBJECT: DWSRF Contract Status Report

This memo provides a quarterly status update to the Public Works Board and offers a snapshot of activities carried out by the DWSRF Program Staff.

**Number of Contracts Received from PWB from 4/1/2016 – 6/30/2016**

DWSRF 6

**Number of Contracts in Open Status as of 6/30/2016**

DWSRF 102

**Number of Contract Closed 4/1/2016 – 6/30/2016**

DWSRF 21

**Dollars distributed to Clients 4/1/2016 – 6/30/2016**

DWSRF \$56,005,550

**Dollars remaining for Clients to Draw as of 6/30/2016**

DWSRF \$188,247,628





DATE: July 13, 2016  
TO: Public Works Board  
FROM: Jill Nordstrom, Drinking Water Program Manager  
SUBJECT: Project Completion Extension Requests

#### STAFF RECOMMENDATION

Staff recommends extending the contract project completion dates as follows:

Program	Client	Contract No.	Project	Loan/Grant Amount	Available to Draw	Original Closeout Date	Current Closeout Date	Proposed Closeout Date
DWSRF	Camas	DM12-952-089	544 Foot Pressure Zone Surface Water Supply	\$7,920,792	\$792,079.20	8/27/16	8/27/16	1/31/18
<b>Reason for Extension Request:</b> The project has been delayed due to a lengthy permitting process and higher than anticipated project costs. DOH has approved two 2016 DWSRF loans totaling \$6 million for Camas to complete the remaining elements of the project, but the loans have not yet been executed. Additional time is needed to execute the 2016 loans and complete construction. Project is 74% complete.								
DWSRF	Clallam County PUD #1	DM12-952-117	Fairview Water Supply Project - Replacement Well	\$3,073,935	\$2,577,436.57	10/22/16	10/22/16	12/31/17
<b>Reason for Extension Request:</b> Last year's drought caused significant project delays. Due to the drought, the PUD was directed to complete a pumping project prior to continuing with this Replacement Well Project. Also while the drought was occurring, there was very high fire danger, conservation measures were enacted for homeowners, and fish requirements prohibited the PUD from drawing additional water. Additional time is needed to complete the upgrade to the pipeline and a pressure-regulating-value vault. Project is 58% complete.								

**BACKGROUND** - The clients have requested extensions to their project completion dates. Staff evaluated the requests through a staff peer review process. DOH has been consulted and agrees with extending the DWSRF projects.







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Date: August 3, 2016  
To: Public Works Board  
From: Jill Nordstrom, Drinking Water Program Manager  
Subject: Correction to Term for Windolph Association DWSRF Loan DM16-952-037  
(DOH 2015-014)

**STAFF RECOMMENDATION:** Recommend term be revised from 20 years to 24 years

**Project Description:** Replacement

**Original Loan Amount:** \$364,600

**Project Status:**

The contract for this project has not been executed and the project not started.

**History:**

The DWSRF Loan list was approved at the March 18, 2016 Public Works Board Meeting. After reviewing the client's terms and the Department of Health loan criteria, an administrative error on this particular loan was identified.

Windolph Association's board approved term is currently 20 years. Based upon their receiving a 30% subsidy, their loan term should be 24 years in accordance with the DOH 2015 Construction Loan Guidelines.

**Action:**

Revise the loan term from 20 years to 24 years for DM16-952-037 (2015-014)





DATE: August 2, 2016

TO: Public Works Board

FROM: Janet Cherry & Mike Copeland, Office of Drinking Water, Drinking Water State Revolving Fund (DWSRF) Program

SUBJECT: Port Townsend Loan Term Amendment DM15-952-034

## STAFF RECOMMENDATION

Staff respectfully requests the following actions from the Public Works Board (PWB):

### 1. Individual confirmation of recusal status:

Board Member	Recusal (No, or Applicant Name)
Stan Finkelstein	
Janet (JC) Baldwin	
Lisa Ayers	
Pam Carter	
The Honorable Jerry Cummins	
Mary Margaret Haugen	
Scott Hutsell	
K.C. Kuykendall	
Steve Misiurak	
Diane Pottinger	
Matthew Rasmussen	
Mark (Bubba) Scott	
Lisa Wellman	

### 2. Approval of City of Port Townsend loan term modifications for contract DM15-952-034.

The DWSRF Program received an audit finding for insufficient subsidy awards in federal fiscal years 2013 and 2014. DWSRF is required to award at least 20 percent of its capitalization grant as principal forgiveness each year. DWSRF is working with EPA to rectify this situation and has reviewed all past loans to determine if additional subsidy can be awarded to projects. DWSRF has identified the existing Port Townsend loan, DM15-952-034, as having been eligible for 30% principal forgiveness based on the guidelines in effect at the time of loan application.

The following changes are proposed for the Port Townsend loan DM15-952-034:

- Reverse the loan origination fee and modify the loan amount from \$6,896,007.00 to \$6,827,730.00 to reflect the removal of the loan origination fee
- Apply 30% principal forgiveness to the revised loan amount for a subsidy amount of \$2,048,319

- Revise the interest rate from 1.5% to 1.0%
- Revise the loan term from 20 years to 24 years

The additional subsidy award of up to \$2,048,319 will be credited to federal fiscal year 2013 using the process identified by EPA in an effort to address the subsidy shortfall for this year.

DWSRF is working with another loan recipient (Eastside Liberty Lake Improvement Club DP15-952-041) on a loan term modification to obtain more subsidy funds to address the audit finding. This project is being converted to a consolidation project with Liberty Lake Water and Sewer District as opposed to Eastside Liberty Lake Improvement Club improving their sources. Once the scope is modified, the project will be awarded 50 percent principal forgiveness as a consolidation project. The modifications to loan DP15-952-041 will be presented at a future PWB meeting.

# TAB C

## Policy & Program Development





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**DATE:** August 5, 2016  
**TO:** Public Works Board  
**FROM:** Policy Committee  
**SUBJECT:** Emergency Considerations for Construction Selection Process

**ACTION:**

The Public Works Board (Board) is asked to approve the attached proposed policy considerations for the construction loan application cycle.

**BACKGROUND:**

Washington State is subject to natural disasters. The Board is authorized to consider a variety of specific factors as well as “. . . other criteria that the board considers necessary. . .”

In light of the numerous natural disasters faced by Washington communities, including forest fires, flooding, and landslides, the Board’s Policy Committee has created a policy proposal that provides additional weight to the scoring of construction projects that are directly, or indirectly, necessary as a result of a natural disaster.







**Washington State  
Public Works Board**

**Title:** Natural Disaster as Special Criteria to Funding Considerations

**Applies to:** Public Works Board

**Laws:** 43.155.0707(5)(a)(xi) RCW  
43.155.070(4)(m) RCW

**Effective date:** September 1, 2016

**Approval Chairman:** \_\_\_\_\_ **Date** \_\_\_\_\_

☒ **Policy**

☐ **Procedure**

**AUTHORITY**

The Board has the authority to consider any other criteria in the selection of projects to be recommended to the Legislature [RCW 43.155.070(5)(a)(xi)].

**POLICY STATEMENT**

The Public Works Board will give special consideration to jurisdictions that have experienced damages due to natural disasters.

**POLICY SCOPE**

In response to an extraordinary situation, the Public Works Board (Board) will give special consideration to jurisdictions that have experienced damages due to natural disasters. A natural disaster is defined as any event or force of nature that has catastrophic consequences, such as avalanche, earthquake, flood, forest fire, hurricane, lightning, tornado, tsunami, and volcanic eruption.

The Board established this policy in recognition that jurisdictions that have experienced a natural disaster are in great need of expedient financial assistance to rebuild and restore their lost or damaged public infrastructure. To assist in rebuilding, this policy incorporates these needs as an extra consideration when the Board makes funding decisions.

The Board will consider the following items as extra consideration elements in the project selection process:

### **THRESHOLD CRITERION FOR SPECIAL CONSIDERATION**

**Local government must be in either a President or Governor declared natural disaster area during the prior three calendar years.**

*FEMA assistance is available to communities under Presidential declaration, whereas communities under gubernatorial declaration do not have access to FEMA assistance. In addition, a Presidential declaration may have higher damage thresholds under which communities may not qualify.*

### **DECISION POINT #1: DIRECT OR INDIRECT LINKAGE TO DISASTER**

#### *Prioritized criteria*

1. **Project proposal repairs or replaces system damaged directly by natural disaster.**  
The Board may give greater weight to projects that resulted directly from a natural disaster than projects that occurred as an ancillary outcome of a natural disaster.
2. **Project proposal repairs or replaces system damaged as an indirect outcome of a natural disaster.**  
The Board may give greater weight to projects that resulted indirectly from a natural disaster than projects that are not linked to a natural disaster, but are in a community subject to a Presidential or Governor declared natural disaster.

### **DECISION POINT #2: TIE BREAKERS – BALANCING FACTORS**

#### *Prioritized criteria*

- A. **System Critical in Nature: Health/Safety versus Environmental versus Routine Replacement –**  
Applications addressing systems critical to health/safety may be prioritized over those addressing essential services which may be prioritized over routine repair and replacement projects. Making a sewer plant operational may be more critical than repaving a road.
- B. **Project with Multiple systems versus a Single System –**  
Applications bundling multiple systems such as road, sewer, and water may be prioritized over single-system applications. Projects with a holistic approach will have a greater efficiency and deliver the greatest return to communities.
- C. **Consecutive Emergency Declarations versus Single Declaration –**  
Projects in jurisdictions that have experienced multiple and consecutive emergency declarations may be prioritized over those in a jurisdiction with a single declared emergency.
- D. **Regional versus Single Community –**  
Multi-jurisdictional applications for projects addressing regional infrastructure may be prioritized over those from a single community. These projects will allow more efficient use of State and local investment to restore damaged infrastructures.
- E. **Population affected directly or indirectly by the loss of this public infrastructure.**  
Applications for projects within the damaged area may be prioritized over those located outside of the affected area. This is a simple measure of the impact to areas of a community damaged by the disaster.



The following line items under  
Section C Policy & Program Development

Will be delivered Verbally or as Handouts

At the August 12<sup>th</sup>, 2016  
Public Works Board Business Meeting

- C-2 – DWSRF Transition Committee
- C-3 – Update on PWB 2.0 Technical Team
- C-4 – Update on Governor's Directive on Lead
- C-5 – PWB Construction Loan Application Update



# **TAB D**

## **Information and Other Items**





## Washington State Public Works Board

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**Title:** BOARD MEMBER ATTENDANCE POLICY

**Effective date:** March 1, 2011

### **BACK GROUND**

The Public Works Board (the Board) enacts this policy in recognition of the unique and valued contribution of each Board member and of the obligations and responsibilities voluntarily assumed in accepting the gubernatorial appointment, as authorized and defined by the Legislature in RCW 43.155. Board members are reminded that the power of removal from membership lies ultimately with the Governor's Office.

### **POLICY STATEMENT**

It is the policy of the Board that its members participate in as many regularly scheduled and special meetings as possible during any 12-month period and they are present for at least fifty percent (50%) of each of those meetings. The Board recognizes that other duties, responsibilities, and circumstances might prevent members from achieving this standard. However, the Board believes that missing a total of **four** meetings in any 12-month period severely diminishes a member's ability to properly and fully execute his or her duties on the Board. Therefore, the accumulation of **four** total absences in any 12-month period will result in the initiation of a process that may result in the member's removal from the Board.

### **DEFINITIONS**

**Member Presence at a Meeting:** Participation in a meeting in person, by phone, or through the internet for at least fifty percent (50%) of the meeting's scheduled duration.

**Absence:** An absence for any reason from a regular or special meeting.

**Meeting:** Any regular or special meeting duly scheduled and announced according to applicable rules and laws, including the Open Public Meetings Act.

### **POLICY APPLICATION**

Upon Board determination of a member's **three** total absences in any 12-month period, the Board Chair will notify the member in writing of the number of absences that member has generated. This notification will include a copy of this Board Member Attendance Policy, a request for assurances from the Board member, in writing within thirty (30) days, of his/her intent to continue to serve on the Board and to comply with the Board policy on attendance, and a statement of the consequences of non-compliance, including removal from the Board. A copy of this notification and its attachments will be sent to the affiliated association/organization that the member represents on the Board, if applicable. Board and staff are encouraged to initiate further efforts to reaffirm the interest of the absent Board member in continuing service on the Board and to secure attendance at its meetings.

Upon Board determination of a member's **four** total absences in any 12-month period, the Board Chair will initiate removal from the Board by submitting a formal request to the Governor's Office, as described below.

### **REMOVAL OF A BOARD MEMBER**

Upon Board determination of **four** total absences in any 12-month period:

1. The Board Chair and the Board Executive Director will attempt to meet with the Board member to explain the Board action and describe the member's rights of appeal and subsequent procedures regarding his/her removal from the Board. If a meeting is not reasonably attainable, the foregoing may be accomplished by telephone or sent in writing.
2. A written request will be sent to the Board member requesting that he/she voluntarily resign the Board position by submitting a letter of resignation to the Governor's Office of Boards and Commissions, with copies to the Board, and to the organization the member represents (if applicable).
3. Fourteen (14) days following the postmarked date of the request, the Board Chair will request immediate removal of the Board member by the Governor's Office of Boards and Commissions for lack of attendance.

An appeal procedure will be available to a member who has accumulated **four** total absences in any 12-month period, as follows:

1. Any member subject to removal for lack of attendance under this policy will have the right to appeal the removal action at the next regularly scheduled and convened Board meeting.
2. The member subject to removal will be given an opportunity to present his/her appeal for relief from the operation of this policy.
3. At its sole discretion, the Board may uphold enforcement of the policy, grant a probationary period including conditions for continued Board membership, or dispense with enforcement.
4. The decision of the Board on appeal will be final to the full extent of its authority.

**Statutory references:**

**RCW 43.155.**

I attest the foregoing policy was adopted by majority vote at a duly constituted Washington State Public Works Board meeting on 2 / 1 / 2011.

Stan Finkelstein  
Board Chair

February 1, 2011  
Date





The City of Brewster and partners held a groundbreaking ceremony last Friday for the city's long awaited water storage tank improvements project to replace their water reservoirs damaged by wild fires. A General Purpose Grant from Commerce's Community Development Block Grant (CDBG) program helped this project break ground. Small, rural cities/towns and counties not entitled to receive CDBG funds directly from HUD can apply to the state CDBG Program.

Pictured from left: Steve James, UB engineer; Lee Webster, public works director, City of Brewster; Misty Ruiz, clerk-treasurer, City of Brewster; Avis Erickson, council member, City of Brewster; John Housden, council member, City of Brewster; Brad Hawkins, 12th District, Washington State House of Representatives; Kurt Danison, planner for City of Brewster; Cary Condotta, 12th District, Washington State House of Representatives; Jon Wyss, candidate for 12th District, Washington State Senate; Arthur Smyth, mayor, City of Brewster; **J.C. Baldwin, Public Works Board**; Terry Lawhead, Department of Commerce; Timothy Rieb, council member, City of Brewster; and Dan Sjule, Apollo Inc. contractor for reservoir project.



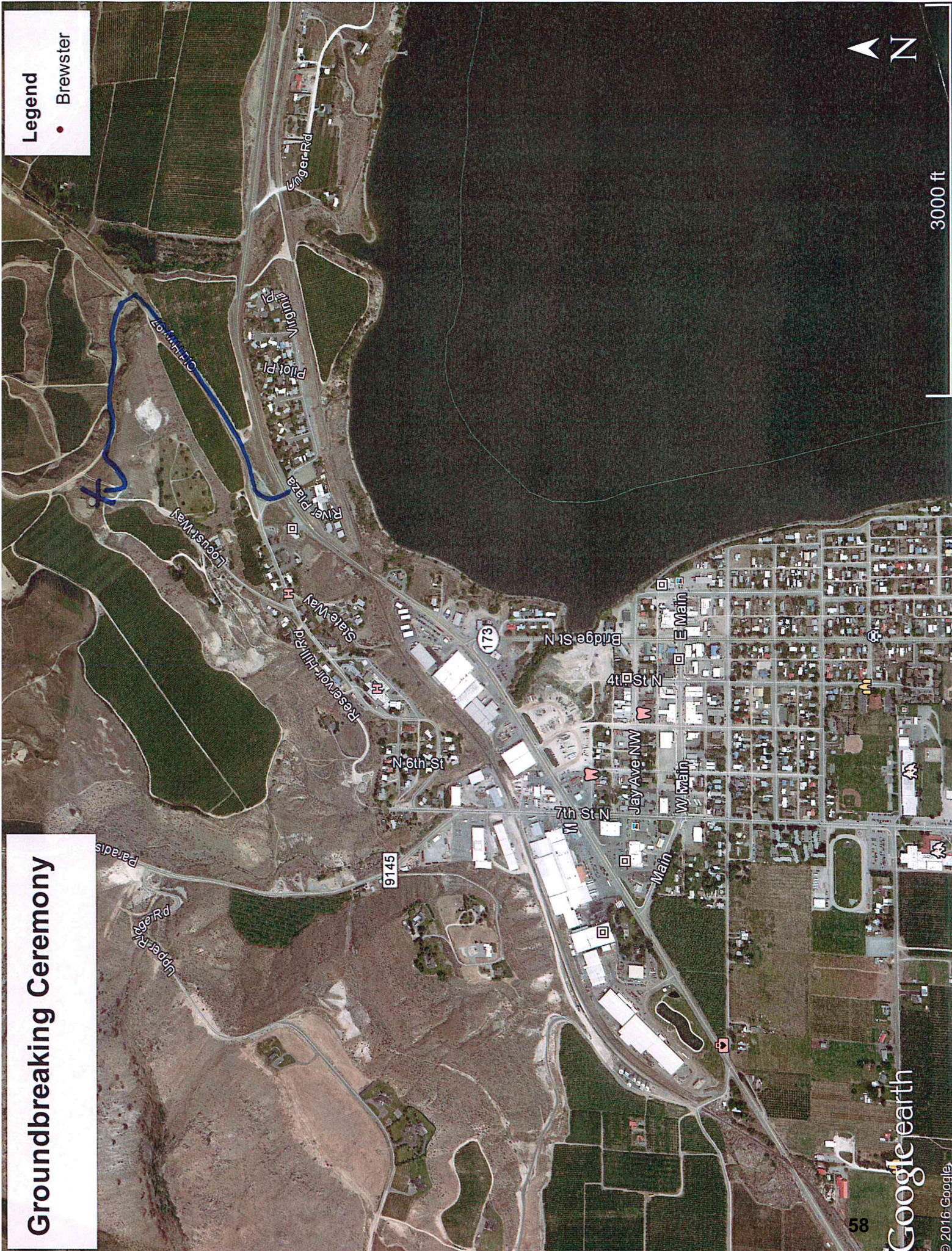
# Groundbreaking Ceremony

Legend

• Brewster



3000 ft





## Ribbon Cutting – Speaking Points

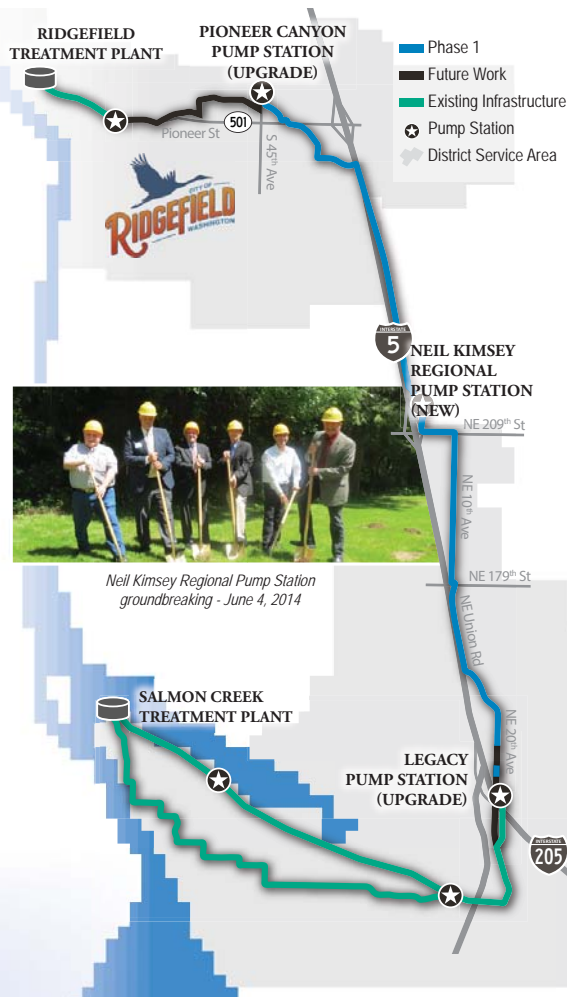
### City of Brewster – Brewster Reservoir Replacement project

<b><i>Applied</i></b>	Fall 2015 Loan Cycle awarded contract December, 9, 2015
<b><i>Contract issued</i></b>	June 21, 2016
<b><i>DWSRF portion</i></b>	<p>\$1,255,000 @ 1% interest rate with 24 years loan term and 30% loan forgiveness.</p> <p>Loan fee @ 1% (\$12,550)</p>
<b><i>Estimated project cost</i></b>	\$3,480,050 (including loan fee)
<b><i>Other funding</i></b>	<ul style="list-style-type: none"> <li>• \$1,000,000 – CDBG grants (Community Development Block Grant)</li> <li>• \$1,212,500 – Direct Appropriation.</li> </ul>
<b><i>Project description</i></b>	This project will address potential contamination from the current tank leakage, the potential loss of water service to the upper zone (Hospital and Harmony House), public safety impacts due to catastrophic failure, and improve mixing to reduce water stratification/stagnation.
<b><i>PWTF loan scope of work</i></b>	This project consists of the design and construction of 3-4 new water tanks on two separate sites. The upper site will include a new 500,000 gallon concrete tank and the rehabilitation of an existing 500,000 gallon concrete tank. The lower project site will demolish and replace an existing 200,000 and 300,000 gallon tank.
<b><i>Community and regional benefits</i></b>	The project will resolve the need for adequate water storage in the upper pressure zone as well as storage reliability in the upper and lower zones. This project will also achieve water and energy efficiency through the reduction of leakage by an estimated 50,000-100,000 gallons per day.
<b><i>City Contact</i></b>	<p>Project Contact - Ms. Misty Ruiz @ 509-689-3464</p> <p>Public Works Dir. - Mr. Lee Webster @ 509-689-3464</p>



## Project Overview

The first phase of the Discovery Corridor Wastewater Transmission System (DCWTS) included construction of a wastewater pipeline to connect the Ridgefield Interstate 5 junction area to the Salmon Creek Treatment Plant. Construction began in June 2014. Phase 1 has now been successfully completed on time and on budget.



## Expanding the Boundaries of Service



8000 NE 52nd Court / P.O. Box 8979  
Vancouver, WA 98665  
Phone: (360) 750-5876  
Fax: (360) 750-7570  
[www.CRWWD.com](http://www.CRWWD.com)



*The American Public Works Association is an international educational and professional association of public agencies, private sector companies, and individuals dedicated to providing high quality public works goods and services.*

# Discovery Corridor Wastewater Transmission System

## System Launch

Wednesday, August 3, 2016  
2 p.m.

Neil Kimsey Regional Pump Station  
Northbound I-5 Gee Creek Rest Area



Visit us online at [www.CRWWD.com](http://www.CRWWD.com)



## Discovery Corridor Wastewater Transmission System Launch Celebration

Wednesday, August 3, 2016, 2 p.m. at the Neil Kimsey Regional Pump Station

### ***An important investment in Clark County's future***

Thank you for celebrating the Launch of the Discovery Corridor Wastewater Transmission System with us!

DCWTS is an exciting project for the District and all of Clark County. The project will support future economic development and help sustain our long-standing commitment to providing our customers with efficient, high-quality sewer service at stable, affordable rates.

### ***Speakers***

**Norm Harker**, District Board of Commissioners

**Robin Krause**, District Engineer

**Ron Onslow**, Mayor, City of Ridgefield

**Neil Kimsey**, District Board of Commissioners

### ***System Launch***

**Neil Kimsey, Denny Kiggins, Norm Harker**, District Board of Commissioners

**Ron Onslow**, Mayor, City of Ridgefield

**Stan Finkelstein**, Chair, Public Works Board

**Lisa Ayers**, Public Works Board

### ***Thank you!***

A special thank you to everyone who made this project possible. Particular thanks to:

*Former Senator Joseph Zarelli*

*Clark County*

*City of Ridgefield*

*City of Battle Ground*

*Otak*

*Tapani*

*CH2M*

*Carollo*

*Washington State:*

- *Department of Commerce Public Works Board*
- *Department of Ecology*
- *Department of Transportation*

